



Financial & Budget Update

February 2018

Cheryl Spivey, Chief Financial Officer

Tracey Broyles, Budget and Evaluation Director

Topics

- FY 2017 Highlights
- Debt & Debt Capacity
- FY 2018 Major Revenue Sources
 - Property Tax
 - Sales Tax
 - Utility Tax
- FY 2018 Enterprise Fund Fees and Subsidies
- FY 2019 Budget Considerations
- FY19-23 Capital and Technology Improvement Plans (CIP and TIP)



Well Run City

FY 2017 Actual Expenditures by Portfolio

- \$94.1 Operations portfolio expenditures
 - \$4.9 million less than budget
- \$13.4 million Community investment portfolio expenditures
 - \$6.1 million less than budget
- \$13.4 Support services portfolio expenditures
 - \$1.8 million less than budget
- \$12.6 million Other appropriations, excluding debt service
 - \$0.4 million less than budget
- \$5.0 million Debt service expenditures
 - \$6.4 million less than budget



Financially Stable

General Fund Unassigned Fund Balance as of June 30, 2017

- \$21.6 million General Fund Unassigned Fund Balance as of June 30, 2017
 - 13.3% of FY 2018 General Fund Budget, excluding County Recreation District
 - Exceeds Council policy minimum of 10% by ~ \$5.3 million
 - Exceeds target minimum of 12% by ~ \$2.1 million



Types of City of Fayetteville Debt Used to Finance Capital Assets

The following is From Kara Millonzi's School of Government Blog

- General Obligation Bonds ([G.S. 159, Art. 4](#))—Authorizes a local government to pledge its full faith and credit or unlimited taxing power as security for the bonds.
- Revenue Bonds ([G.S. 159, Art. 5](#); [G.S. 153A, Art. 9A](#); [G.S. 160A, Art. 10A](#))— Authorizes a local government to pledge the revenues from the debt-financed asset or system and to pledge the asset that is being financed. Also authorizes a local government to pledge the revenues generated from special assessments imposed on private property to pay for certain capital projects that benefit those private properties.
- Installment Purchase Financings, including Limited Obligation Bonds (LOBS) ([G.S. 160A-20](#))—Authorizes a local government to pledge the asset that is being financed.

Note: Would be difficult to issue installment purchase financing or revenue bonds following a failed G.O. referendum.



Bonded Debt, Installment Agreements and Notes Payable

	June 30, 2017	Fire Station #12 October 10, 2017	Motorola Radios February 2018	Downton Baseball Stadium 2018	Hay Street Parking Garage 2018	Vehicles 2018
Bonded debt	\$ 10,777,133	\$ -	\$ -	\$ -	\$ -	\$ -
Installment agreements	21,389,781	3,600,000	3,228,495	31,000,000	14,845,000	4,900,000
HUD Notes payable	550,389	-	-	-	-	-
	\$ 32,717,303	\$ 3,600,000	\$ 3,228,495	\$ 31,000,000	\$ 14,845,000	\$ 4,900,000

	Parks & Recreation	FY 2018 Principal Payments	Sale of Festival Park Plaza	December 2018
Bonded debt	\$ 11,295,000	\$ (1,194,474)	\$ -	\$ 20,877,659
Installment agreements	-	(4,669,724)	(3,630,882)	\$ 70,662,670
HUD Notes payable	-	(75,000)	-	\$ 475,389
	\$ 11,295,000	\$ (5,939,198)	\$ (3,630,882)	\$ 92,015,718

- Plenty of debt capacity.
- Low Debt Municipality compared to peers. See LGC Memo.
- Legal limit \$1.1 billion based on assessed value.
- Practical limit is based on willingness to increase revenue to pay annual debt service (principal and interest)



Debt & Debt Service

Type	Years	Amortization Method	Rule of Thumb	
			Amount Borrowed	Annual Payment
GO Bonds/LOBS	20	Level Principal	\$10 million	Declining \$1 million - \$525K
Revenue Bonds	25	Level Payment	\$10 million	\$700K
Installment Agreements	4	Level Principal	\$1 million	\$300K



Fiscal Year 2017-18 Budget

Total Budget As Adopted June 26, 2017* **\$204.7 million**

General Fund **\$166.7 million**

- 41.6% Property Taxes
 - Property tax rate is 49.95 cents per \$100
 - A penny on the tax rate = \$ 1.38 million
- 25.1% Sales Tax Distributions
- 8.2% Utility Tax Distributions

Enterprise Funds

- Environmental Services Fund \$ 11.9 million
- Transit Fund \$ 9.8 million
- Stormwater Fund \$ 8.0 million
- Airport Fund \$ 4.8 million

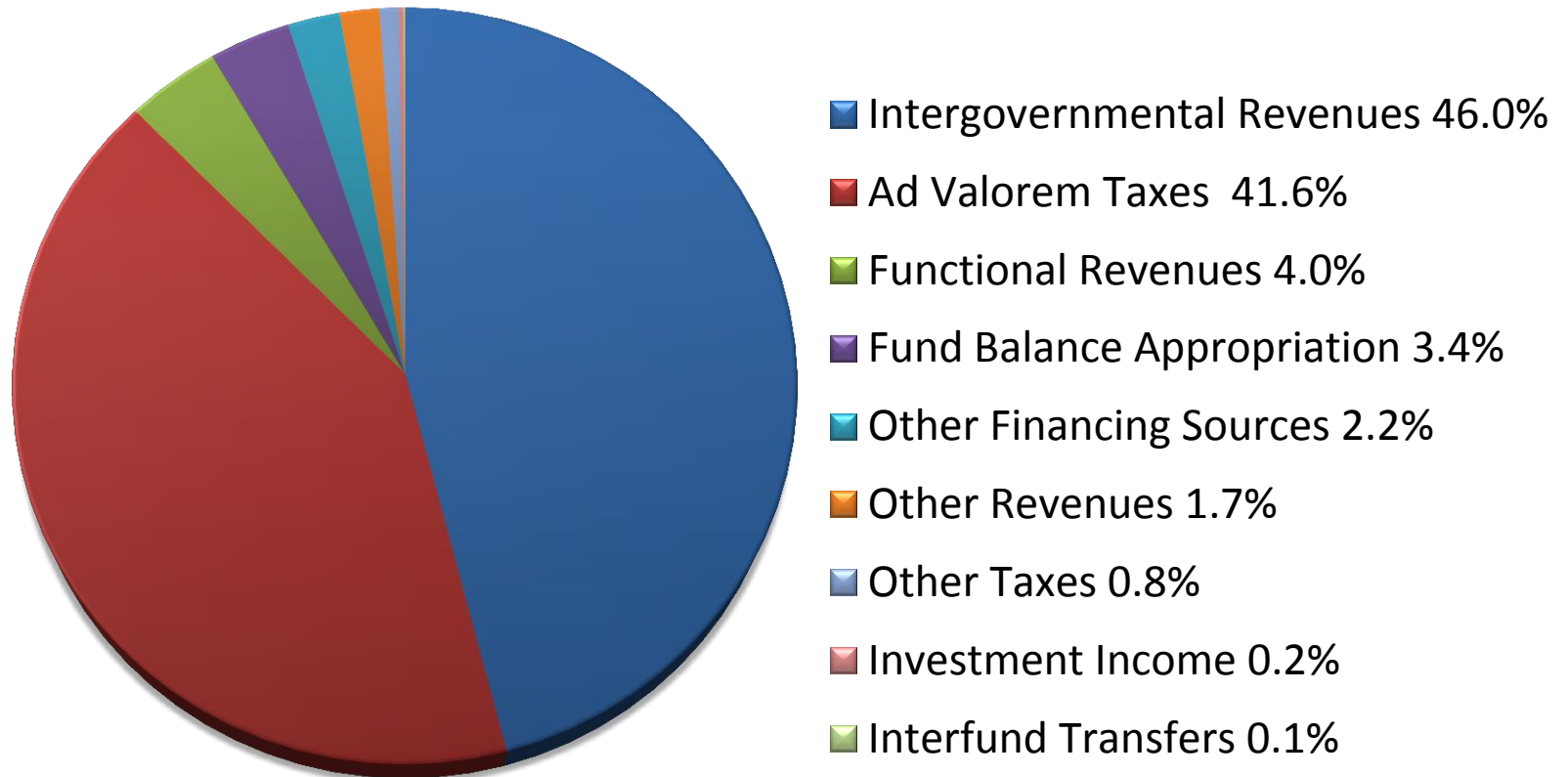
Other Governmental Funds

- E911 Fund \$ 1.1 million
- LEOSA Fund \$ 1.6 million
- All Other Funds \$ 0.7 million

* Excluding Internal Service Funds

FY 2018 Adopted Budget General Fund

Revenues and Other Financing Sources \$166,696,939





FY 2018 General Fund Revenue Status

- Real and Personal Property Taxes, excl. Motor Vehicles
 - Actual Levy As of 12/31/17 \$ 62.20 M
 - Levy Projected with Budget \$ 62.07 M
 - Potential Revenue Excess vs. Budget ~ \$ 130 K
 - Final 6/30/17 Levy \$ 64.94 M
 - Revaluation Tax Base Decline
 - Maintained Tax Rate of 49.95 Cents
- Motor Vehicle Property Taxes
 - Estimated Levy \$ 6.74 M

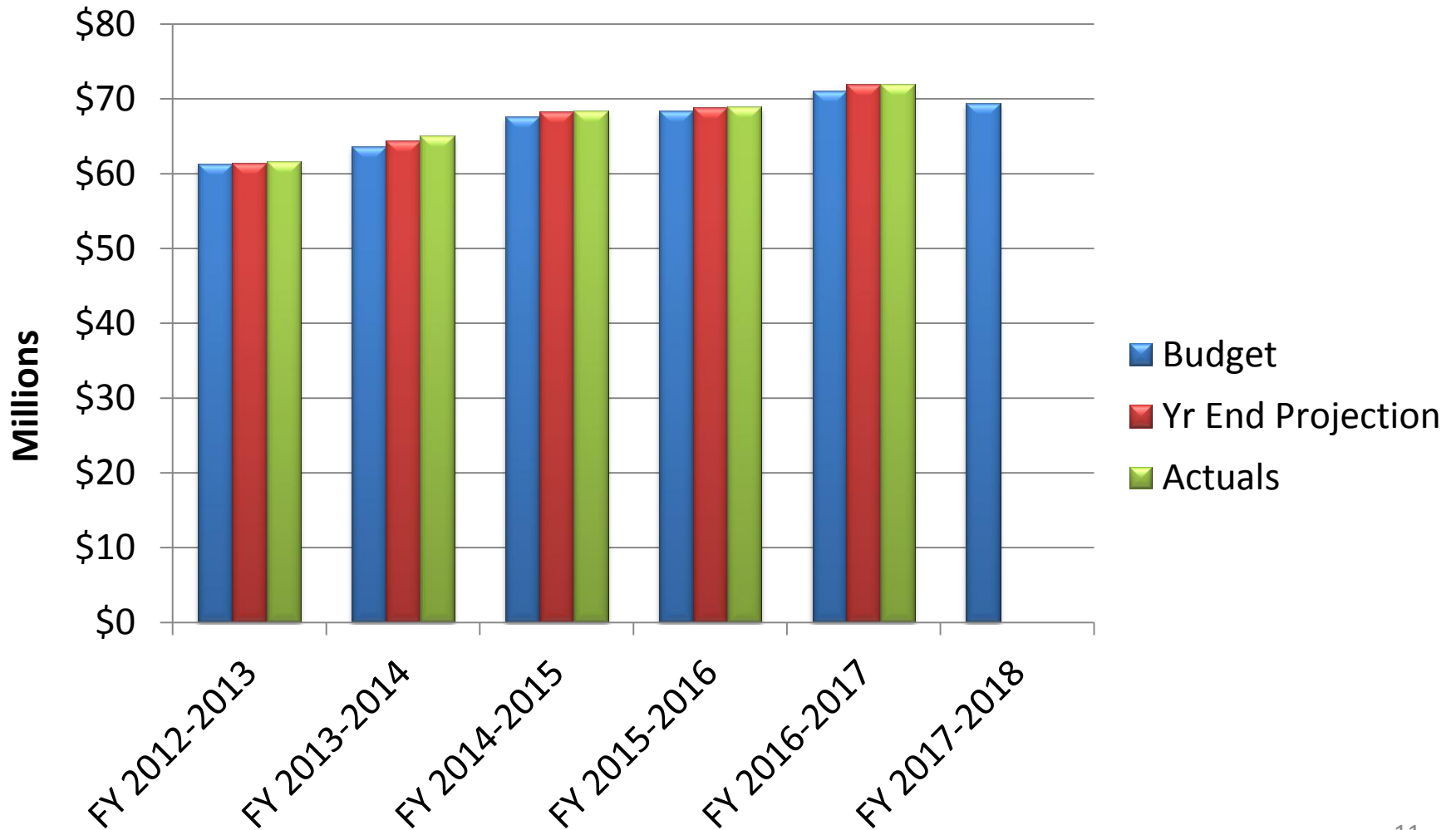
(Based on YTD actuals to Nov, plus Dec 2016 to June 2017 collections, with 1% growth)

 - Levy Projected with Budget \$ 7.12 M

(Budget assumed growth of 3.5% based upon trends through Jan 2017)

 - Potential Revenue Shortfall to Budget ~ (\$ 384 K)

General Fund Property Tax Revenue





FY 2018 General Fund Revenue Status

- Sales Tax Distributions

- Fiscal Year 2017

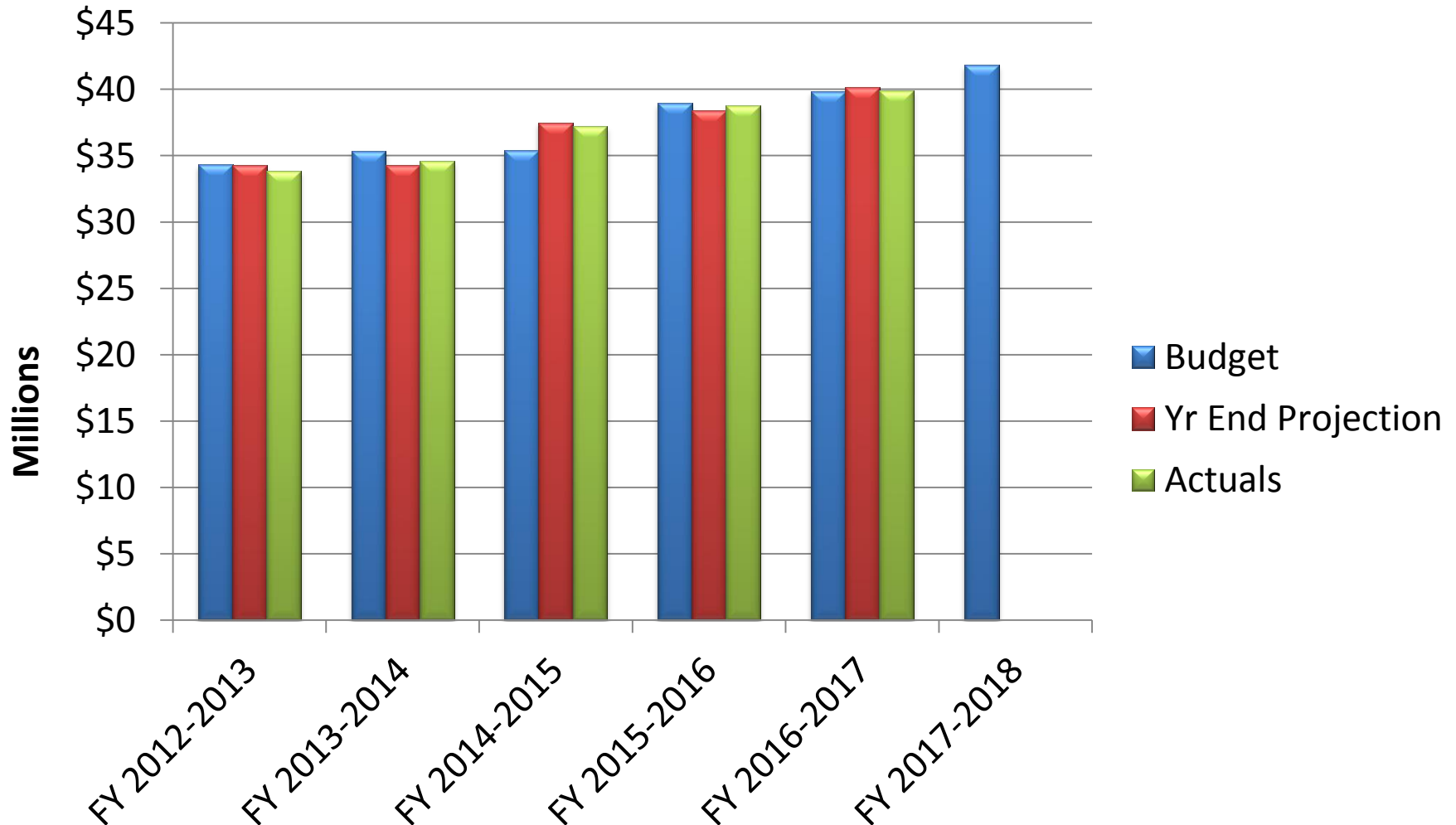
- | | |
|--------------------------------|------------|
| • Budget | \$ 39.81 M |
| • Year-End Projection | \$ 40.15 M |
| • Actual Revenues | \$ 39.92 M |
| • Increase vs. FY2016 Revenues | 2.99% |

- Fiscal Year 2018

- | | |
|---|-----------------|
| • Budget | \$ 41.81 M |
| • Increase vs. FY2017 Revenues | 4.72% |
| • YTD Variance vs. FY2017 Revenues
(4 months only) | 5.13% |
| • YTD Variance vs. FY2018 Projections | 1.02% or \$137K |

Very volatile revenue that can be significantly impacted by timing of refunds, military deployments, general economy, etc.

General Fund Sales Tax Distributions





FY 2018 General Fund Revenue Status

- Utility Taxes

- Fiscal Year 2017

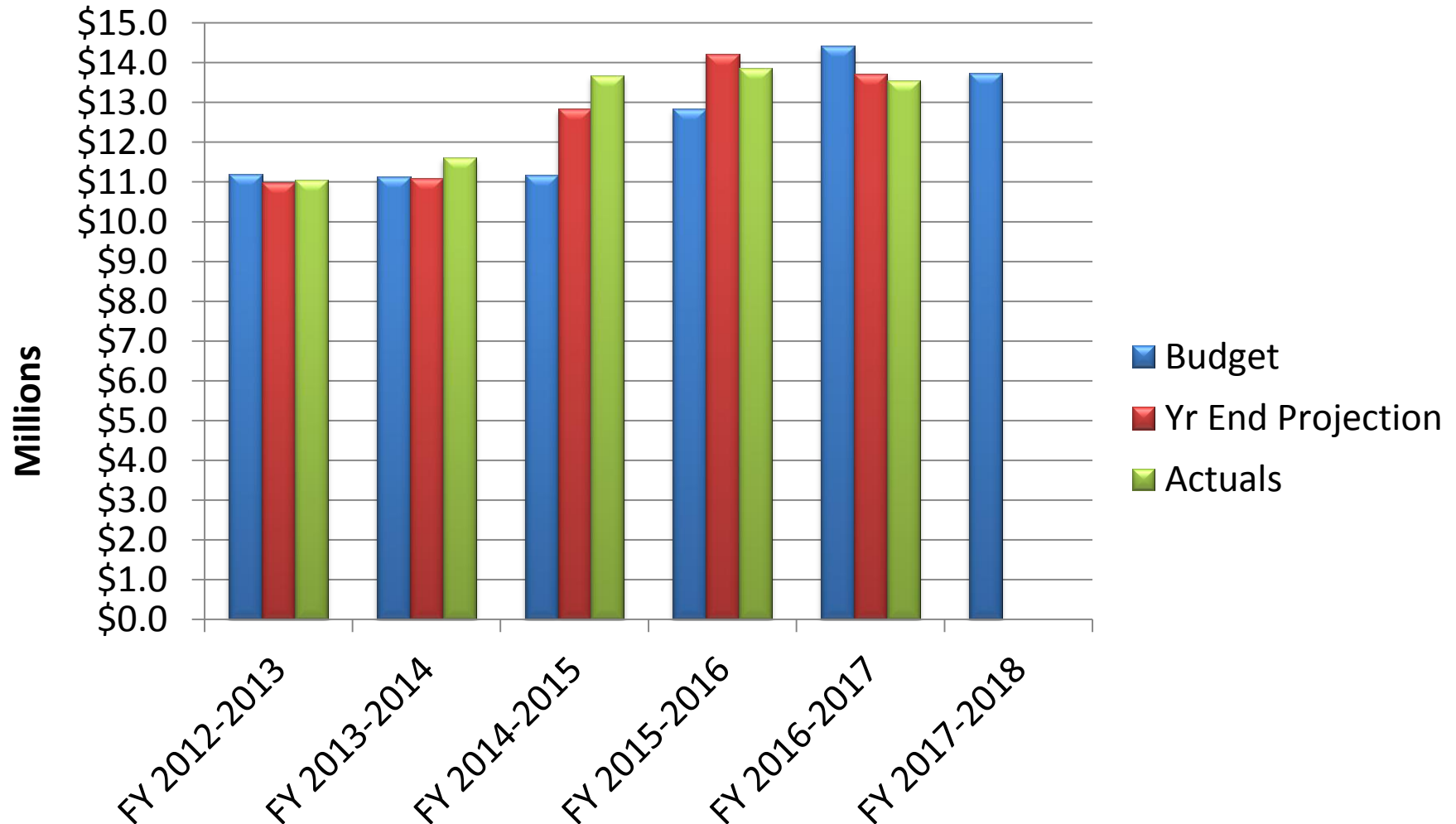
- Budget \$ 14.42 M
 - Year-End Projection \$ 13.72 M
 - Actual Revenues \$ 13.56 M
 - Revenues are a factor of price and usage of electricity.

- Fiscal Year 2018

- Budget \$ 13.75 M
 - Increase vs. FY2017 Revenues 1.42%
 - YTD Variance vs. FY2017 Revenues (3.77%)
(1 quarter only)
 - YTD Variance vs. FY2018 Projections (4.02%) or (\$154K)

Another volatile revenue flow that can be significantly impacted by weather.

General Fund Utility Tax Distributions



Other General Fund Revenue Comments

- Permits and Fees
 - Primarily building and development related
 - Fiscal Year 2017 Budget \$ 2.73 M
 - Fiscal Year 2017 Actual Revenues \$ 2.20 M
 - Fiscal Year 2018 Budget \$ 2.59 M
 - First Half variance to FY17 Actuals \$29,000

Some minor revenue postings incomplete at this time

Enterprise Fund Fees and General Fund Subsidies

- Environmental Services Fund

FY18 Adopted Budget	\$11,946,870
Exclude debt service	(412,901)
Cost for Services incl. indirect costs	\$11,533,969
Exclude indirect costs	(686,000)
Direct Costs for Services	\$10,847,969
General Fund Support	\$ 4,516,798

	All Costs for Service	Direct Costs for Service
% of Costs Subsidized by General Fund	35.6%	31.5%
Fund Self-Sufficiency %	64.4%	68.5%

- Council target for fund self-sufficiency %* ?
- Current fee for residential customers \$108 per year
- FY18 fee increase \$ 60 per year

Enterprise Fund Fees and General Fund Subsidies

- Transit Fund

FY18 Adopted Budget	\$9,767,815
Exclude debt service	(0)
Cost for Services incl. indirect costs	\$9,767,815
Exclude indirect costs	(772,900)
Direct Costs for Services	\$8,994,915
General Fund Support	\$4,133,114

	All Costs for Service	Direct Costs for Service
% of Costs Subsidized by General Fund	42.3%	37.4%
Fund Self-Sufficiency %	57.7%	62.6%

- Council target for fund self-sufficiency %* ?
- Last regular fare adjustment 2013



Enterprise Fund Fees and General Fund Subsidies

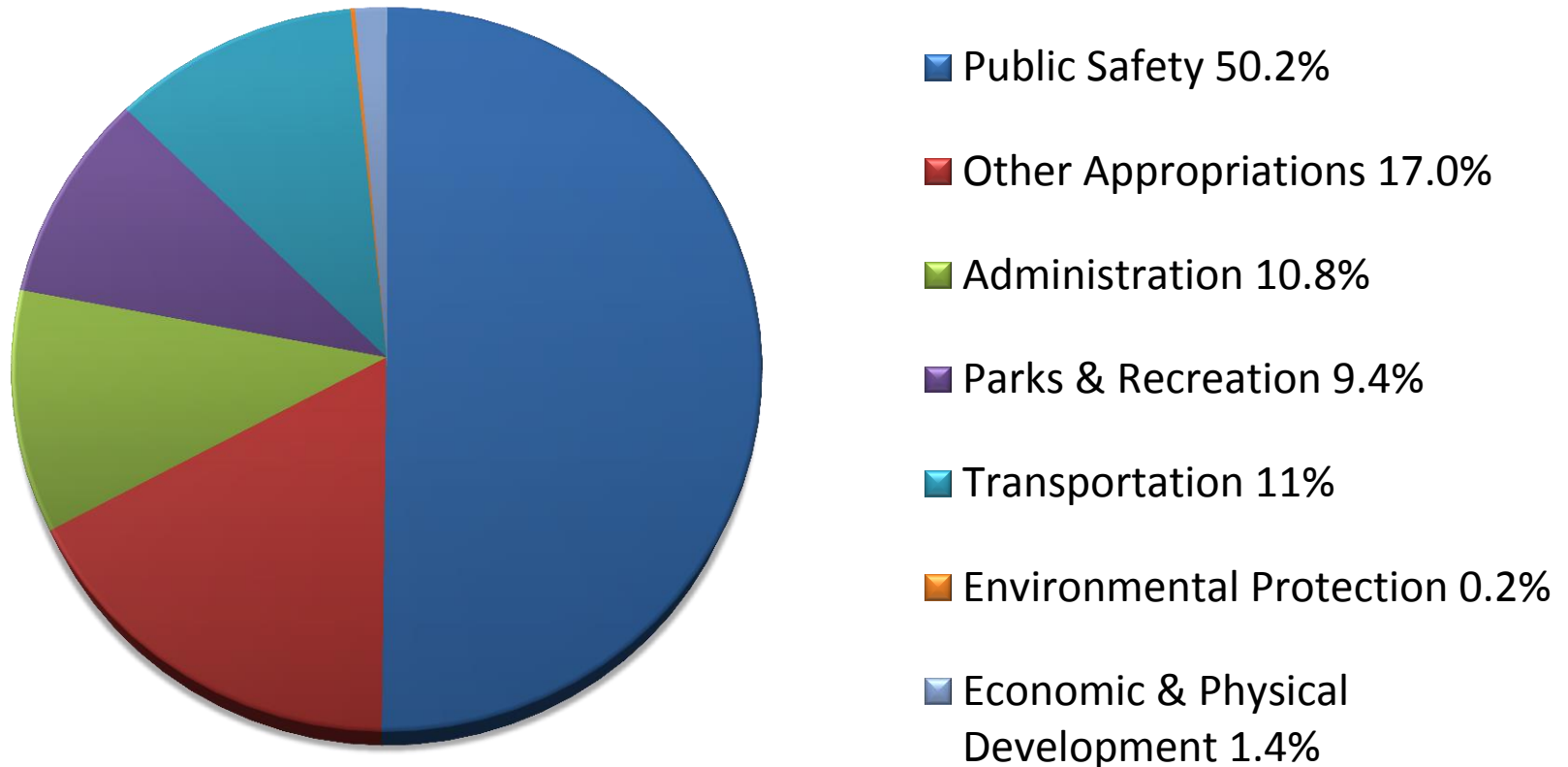
- Stormwater Fund
 - FY18 Adopted Budget \$8,040,629
 - No General Fund Support
 - Current fee per Equivalent Residential Unit \$4.25 per month
\$51 per year
 - Planned increases of \$.25 per month, or \$3 per year, in FY2019 and FY2020
 - Increased construction costs are hindering ability to increase pace of projects
 - *Council interest in any further fee adjustments* ?

FY2019 Revenue Considerations

- **General Fund**
 - *Fee for service adjustments?*
 - *Youth Athletic Fees last changed in 1999*
 - *After school and summer camp fees last changed in 2014*
 - *Other*
- **Environmental Services Fund**
 - *Target for fund self-sufficiency?*
- **Transit Fund**
 - *Target for fund self-sufficiency?*
 - *Regular bus fare last changed in 2013*
- **Stormwater Fund**
 - *Changes to planned fee adjustment schedule to meet growing project demands?*

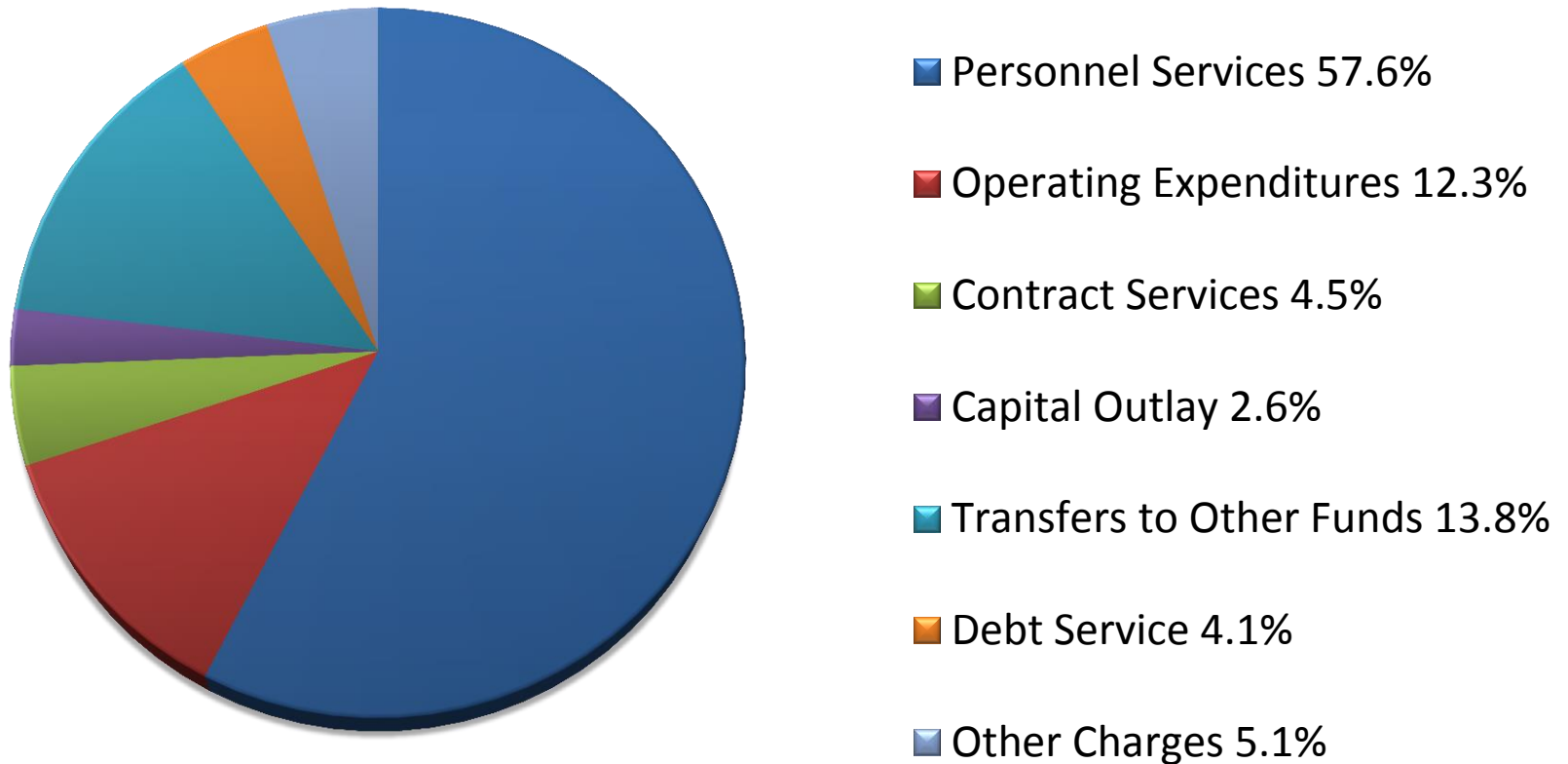
FY 2018 Adopted Budget General Fund

General Fund Expenditures By Functional Area \$166,696,939



FY 2018 Adopted Budget General Fund

Expenditures By Type \$166,696,939



FY 2019 Budget Considerations

Personnel Items

- Status of FLSA changes for exempt status
 - Under prior proposed update, minimum salary for exempt status would have increased from \$23,660 to \$47,476
 - Rule change was struck down on August 31
 - No current proposed changes announced
- No announced changes for minimum wage
- Preliminary estimate of 9% increase for healthcare plan
 - Equates to approximately \$1.1 M for General Fund alone
- Funding of public safety step plans and general employee performance pay
- Full fiscal year impacts of any positions/initiatives added mid-year

FY 2019 Budget Considerations

Other Expenditure Items

- Continuing commitment to provide approximately \$620,000 of recurring funding from General Fund Operating Budget for stadium funding model
- Spring 2019 Opening of Downtown Stadium
 - Any operating costs or revenues related to stadium (e.g. grand opening, parking management, etc.) need to be submitted as new initiatives
- Other New Facilities
 - Operating costs and revenues need to be considered/submitted as new initiatives
 - Balance of full annual impacts for facilities opened during the current fiscal year also need to be anticipated
 - Examples – MMTC, Splash Pads, etc.



FY 2019 Budget Considerations

Other Expenditure Items

- Fleet Maintenance
 - Evaluation process underway for consideration of outsourced maintenance
 - Base budget to reflect projected costs under current arrangement with PWC
- City/PWC
 - Continue shared services for Legal Services, 800 MHz Radios and Debt, FayTV7, Call Center, GIS Software licensing and fiber network services
 - Cost projections for PWC/City to be shared by March 2nd



FY 2019 – FY 2023 Recommended Capital and Technology Improvement Plans

- Scheduled for detailed discussion at February 5th Work Session
- Summary lists provided:
 - Recommended project funding by fiscal year
 - Identified funding sources
 - Project funding requests reduced or eliminated due to funding constraints
- Key funding considerations
 - \$2.5M fund balance appropriation recommended for replacement of the Ann and Louise Street Bridges over FY18 and FY19
 - \$53.4M Public Safety Bond Referendum
 - Projected to require a 1.5 cent tax rate increase in FY2020
 - Funds Consolidated 911 Center, Police Training Center, relocation of Fire Stations 2 and 4, permanent Fire Station 16 and renovation of five additional fire stations

Major Budget Events Calendar

City Council and Staff

- **City Council Retreat** February 2 & 3, 2018
- **CIP/TIP Discussion with Council** February 5, 2018
- **City Council Small Group Sessions** May 2 & 3, 2018
- **Council Budget Work Session** May 10, 2018
- **Formal Budget Presentation** May 14, 2018
- **Council Budget Work Session** May 17, 2018
- **Council Budget Work Session** May 24, 2018
- **Budget Public Hearing** May 29, 2018
- **Adoption of Budget, Strategic Plan** June 11, 2018

